

tax increment financing. Unlike a one-time, project-specific TIF program, however, the bank would be operated as a revolving loan fund. Loan payments to the bank would be dedicated to meeting the initial bond obligations and federal match requirements. Once those obligations were met, the payments would be reserved to capitalize loans for subsequent projects. ((11:6.11))

Modern telecommunications infrastructure is laid underground, strung overhead, or mounted on towers. The latter are susceptible to damage by hurricanes, nor'easters, and ice storms, three phenomena considered natural hazard events. A proposal to extend or improve such infrastructure could carry a requirement to do a cost/benefit analysis of burying utilities wherever feasible as a mitigating measure. The importance of mitigating the disruption of electricity due to a winter storm or other natural hazard event in industries dominated by electronic commerce justifies allowing the expense of such an analysis to be eligible for financing from the infrastructure bank.

06-03: Site Assessments and Permitting

A potentially large inventory of industrial-zoned land with physiographic constraints and environmentally sensitive areas would become eligible for development assistance through one or more of the proposed programs of this plan. Extended delays for projects funded by the Industrial Land Reserve Program or other revolving loan programs, in addition to eroding the marketability of the land, would also paralyze rollover of the loan fund. One type of delay could result from the permitting process if environmental assessments undertaken by the developer are incomplete or poorly documented.

It is beyond the scope of this plan to suggest procedural changes by the various permitting agencies, federal, state, or local. What can and should be done is to assure that regulators are provided with the most complete package of documentation possible for any project supported by the state's incentive programs. Toward this end, the staff believes that funding for physical assessments of these projects – including site surveys, drainage characteristics, and geotechnical data – should be eligible program expenditures. A preliminary engineering survey of a site may also require an environmental assessment to facilitate review.

There is a precedent for this in the DEM's brownfields program. An environmental assessment is required of a brownfields site to set conditions and a schedule for site remediation. This may be handled by a loan program set aside for this purpose if the property being redeveloped has been formally identified as a "priority site for economic development." (A Certificate of Critical Economic Concern is required from the Economic Development Corporation.) A portion of the state's tire site remediation account was made available to the EDC to capitalize these loans; repayments would go back to that account. ((95))

It is also important for developers to educate themselves as to what makes an application for a permit complete and defensible. Regulating agencies can assist by conducting "permitting workshops," particularly when new regulations are promulgated, and preapplication conferences between themselves and developers whenever appropriate. The EDC's involvement is appropriate as well whenever a project is deemed of critical economic concern.

06-04: Finance

The 1990 *ILUP* set a price for capitalizing its proposed revolving loan programs: \$30-40 million. In the intervening ten years, that figure would have changed due to inflation (an increase) and the degree of development that has already proceeded on sites the staff expected to be candidates for funding (a decrease). On the other hand, development is likely to have become more expensive in general. The sites on which development has occurred since 1990 have been sites in which the least physical preparation or infrastructure improvement was necessary. The sites that remain are the challenge, leaving the amount needed in the tens of millions of dollars.

What options are available for financing this plan's revolving loan programs?

06-04-01: Bonds

Revolving loan funds may be capitalized by bonds. The magnitude of public debt in Rhode Island, however, is a concern. Voters over the years have become increasingly wary of bond issues without a specific, targeted purpose (e.g., the Freight Rail Improvement Project or the Coastal Institute at the University of Rhode Island). Bond issues have to be "sold" to the public, like any other referendum.

The 1990 *ILUP* mentioned oversells of general obligation bonds, which are exempt from federal taxes, as a funding source:

Ninety-five percent of a general obligation bond issue must be used for its stated public purpose; however, the remaining five percent does not appear subject to a public purpose test. The five percent oversell is normally utilized to pay for issuance expenses of the bond issue, which typically represent 2.0 to 2.5 percent, leaving the remaining unrestricted funds potentially available for economic development purposes. ((11:6.16-6.17))

Applied to one general obligation bond, the two-percent remainder would yield relatively low proceeds. For example, for a \$50 million issue, this two percent would represent \$100,000. However, if the principle were applied to all general obligation funding, the oversell program could generate significant unrestricted funds to capitalize a revolving loan program.

Or, a general obligation bond referendum could demonstrate a "predominant public purpose" in an infrastructure project to pass the test for tax-exempt issues. Those projects that produce a secure revenue stream could be the source of a revolving loan fund for subsequent projects. As the latter projects generate their own revenue stream, repayments would be made to replenish the fund.

06-04-02: Federal Assistance

An agency within the U.S. Department of Commerce, the Economic Development Administration (EDA), has been key to economic development in Rhode Island, supplying planning grants and public works grants for years that have helped the state implement its *Economic Development Strategy*. The grants are usually very competitive, as eligible parties from all regions of the country apply and appropriations are debated by Congress. The staff sees a future in the programs we have proposed above to meet the non-federal match requirements for the public works grants, which are primarily “bricks and mortar.”

Another EDA grants program, the Economic Adjustment Grants, allows successful applicants to use a federal grant as a capitalization source for a revolving loan fund. States, municipalities, Indian tribes, CDCs, and nonprofit development organizations may be eligible, provided certain distress criteria apply for the area. “Implementation grants” under the program provide money for infrastructure improvements (“site acquisition, site preparation, construction, rehabilitation, and/or equipping of facilities”) and revolving loan funds for business or infrastructure financing, in addition to other activities such as market or industry research and analysis, technical assistance, and training. ((96:26))

The program’s Revolving Loan Fund (RLF) Grants are awarded on the basis of “the need for a new or expanded public financing tool to enhance other business assistance programs and services targeting economic sectors and/or locations” identified in the applicant’s CEDS. Also essential is “the capacity of the RLF organization to manage lending, create networks between the business community and other financial providers, and contribute to the [economic] adjustment strategy.” ((96:27))

While the opportunity presented by this program should not be missed, it must be noted that the eligibility requirements limit its use to very specific circumstances: reductions in civilian employment due to military base closures or other defense cutbacks, declared disasters or emergencies, international trade impacts, fishery failures, long-term economic deterioration, or loss of a major community employer. ((96:25)) Rhode Island has fallen victim to these sorts of “adjustments” in its recent past, but that is hardly a guarantee that the state will be eligible in the future. As one outcome of the annual CEDS process, the state will continually monitor economic distress in Rhode Island communities and be able to detect negative trends that do last over the long term. The Economic Adjustment Grants program should remain an option in such instances.

06-05: Recommendations

A. Industrial Land Reserve Fund

1. Statewide Planning recommends the formation of an Industrial Land Reserve Fund. There are numerous financing programs now in existence, often keyed directly to small businesses, that can assist in land acquisition. The funds allotted for these programs, however, are not for land acquisition exclusively; construction is financed through them as well, and the purchase of equipment. There is competition for the funds available. We submit that a financing program geared specifically to the acquisition and reservation of industrial land, for industrial purposes, is necessary in addition to these other programs to accomplish the objectives of the *Industrial Land Use Plan*.

2. We also recommend that the R.I. Economic Development Corporation be responsible for the Industrial Land Reserve Fund, given the EDC's statewide interest in economic development. The Reserve Fund should be run with the express purpose of providing low-interest gap financing on a revolving loan basis to municipalities, private non-profit development corporations, and agencies of the state when appropriate.

3. The EDC should also establish a separate fund financed by interest payments and equity from the Reserve Fund to provide funding assistance in the form of matching grants for feasibility studies, market analyses, and environmental reviews of land reserve and land assembly projects.

4. Communities should keep track of brownfields initiatives that can link financial and technical assistance from participating federal agency programs with the reuse and rehabilitation of industrial properties.

B. Urban Industrial Land Assembly Program

1. In addition to the Industrial Land Reserve Fund, which would extend to rural and suburban as well as urban communities, there should be established an Urban Industrial Land Assembly Program. As this would appear to be a logical offshoot of the EDC's responsibility for the state's enterprise zone program and mill building reuse program, we recommend the Corporation take charge of this program as well.

2. The Urban Industrial Land Assembly Program should be run as a "one-stop shop" that makes low-interest financing accessible to those seeking to acquire industrial properties for reuse. Financing from this program should not disqualify applicants from any tax benefits from existing programs, including both the enterprise zone and mill building reuse programs.

3. While properties outside enterprise zones would be eligible for inclusion in the Urban Industrial Land Assembly Program, the program would be limited to urban communities. The intent of the program is to incentivize the reuse underutilized, neglected, and abandoned properties in these communities.

4. As the first tangible results of an urban land assembly program might be on a relatively modest scale, we encourage that they be directed toward establishing additional business incubators. Linkages with institutions of higher learning (as in the Ocean Technology Center incubator) and community activists (as in the Urban Ventures incubator) should continue to be promoted.

C. Bank Community Development Corporations (CDCs)

1. Presuming that all leading banks in Rhode Island have an interest in meeting their obligations under the Community Reinvestment Act, the establishment of additional Bank CDCs should be promoted.
2. Toward this end, we recommend that a working group be convened of state banking regulators, bankers, economic development officials, and neighborhood groups to investigate the feasibility of dedicating a Bank CDC to industrial development or redevelopment.
3. If it is inappropriate or impractical for the Economic Development Corporation to manage any of the programs proposed above, or if a more decentralized approach is desirable, the possibility should be considered of using Bank CDCs for these purposes with appropriate oversight. Otherwise, Bank CDCs should be tapped to provide bridge financing or grants to supplement these programs.
4. Linkages with the state's Urban Enterprise Equity Fund should be established immediately. The equity fund and Bank CDCs can complement each other in enterprise zones and non-zone urban areas.

D. Enterprise Zones

1. The enterprise zone program should build upon its successes and continue its outreach to businesses and communities. The system of regional contacts for enterprise zone information augments the coordination work of the EDC and should be supported. This could also be a conduit for information about other programs proposed in this plan, for example the Urban Industrial Land Assembly Program.
2. Changes to the enterprise zone program should occur only after consultation with the Enterprise Zone Council and with the Council's approval. This includes the addition of zones to the program, modifications of boundaries of existing zones, and changes to the mill building reuse program.
3. If additional programs are implemented within the Economic Development Corporation to complement the enterprise zone program, for example urban industrial land assembly, provision must be made for adequate EDC staffing. Capitalization of any revolving loan fund supporting these programs should include an administrative budget, which can subsequently be met by the loan repayments that will recapitalize the fund.
4. Given that properties in the mill building program are often surrounded by residential neighborhoods, communities should apply industrial performance standards to encourage appropriate and compatible uses. Where necessary, technical assistance programs should be established to help modernize and enforce performance standards, with the involvement of the DEM, the Building Codes Commission, and the Statewide Planning Program.

E. Infrastructure Bank

1. The EDC should determine the best vehicle for an infrastructure bank to provide below-market financing to communities for public infrastructure. The loan activities of this bank should be closely coordinated with the activities of existing programs in the fields of potable

water, wastewater treatment, transportation, and hazard mitigation, to ensure that scarce financial resources are used prudently.

2. Communities should be encouraged to use tax increment financing to fund infrastructure improvements. The EDC should support this effort by exploring the feasibility of a bond bank to facilitate municipal TIF programs through credit enhancement and by combining smaller issues to obtain the most favorable rates.

F. Site Assessments and Permitting

1. There should be financial support from the state for site assessments at brownfield sites designated priority sites for economic development. The public purpose in cleaning these properties and returning them to productive use has been established and is generally accepted. Other means may be required, however, than (or in addition to) the tire site remediation account.

2. The DEM, Coastal Resources Management Council, and other permitting agencies, including local ones, should use comprehensive preapplication conferences between regulators and developers, together with, whenever appropriate, representatives of the EDC. These conferences should acquaint developers with what is expected from them in a project application, introduce the appropriate contacts in state and local government for permits and regulatory advice, and answer any questions about funding programs on the state, local, or federal level.

06-06: Summary

The *Industrial Land Use Plan* demonstrates that there is an imminent shortage of readily developable industrial-zoned land. This condition portends a threat to the growth of the Rhode Island economy beyond “virtual” industry run out of home offices. The historical development of industrial land, driven primarily by locational factors prevalent in the heyday of the textile and metals industries, has left us with a large stock of mill buildings and other heavy industrial sites, some of which, by dint of configuration or location, may be unsuitable for contemporary industrial use.

To its credit, Rhode Island has begun to address the problem of decaying infrastructure in urban areas and abandoned factory buildings. The state can point proudly to its enterprise zone and mill building reuse programs, and to pilot projects undertaken to reclaim brownfield sites. But while providing for the beneficial reuse of existing facilities, we need to turn our attention to upgrading marginal undeveloped industrial land, and making the best use of all our resources through varied and flexible strategies. Happily, efforts in this direction also promote a renewed commitment to sustainable development, which is popularly associated with the “smart growth” movement.

Table 212-06(2) shows the various mechanisms by which the *ILUP*’s recommendations may be implemented. The plan has identified five industrial land use goals (pages 2.19-2.20):

- Place sufficient land in reserve to sustain economic growth without compromising the state’s quality of life.

- Employ “mixed use” as a strategy for industrial land use wherever economically and environmentally feasible.
- Assure to the maximum extent possible the appropriate use of prime industrial land by “matching the plant to the land.”
- Promote sustainable development through waste control and reuse of older industrial facilities.
- Encourage business partnerships that can nurture growing companies with much potential, co-locating them to encourage clustering, networking, and synergy.

The matrix in the table keys the various implementation mechanisms recommended in this plan to the goals they satisfy. Together with the policies derived in Part 212-03, they represent the tools needed for an effective, contemporary *Industrial Land Use Plan*.